

MINUTES
AUDIT SUBCOMMITTEE
OF THE
LEGISLATIVE MANAGEMENT COMMITTEE

The Audit Subcommittee of the Legislative Management Committee met in Room W110, State Capitol Complex, Salt Lake City, Utah, July 18, 2007, from 9:00 a.m. until 11:00 a.m.

Committee Members Present: Speaker Greg J. Curtis, Co-Chairman
President John L. Valentine, Co-Chairman
Senator Mike Dmitrich
Representative Ralph Becker

Legislative Audit Staff: John Schaff, Auditor General
Excused Rick Coleman, Deputy Auditor General
Tim Osterstock, Audit Manager
Darin Underwood, Audit Manager
Lynda Maynard, Recording Secretary
Wayne Kidd, Audit Supervisor
Brian Dean, Audit Supervisor
Maria Stahla, Audit Supervisor
Deanna Herring, Audit Supervisor
Leah Blevins, Sr Performance Auditor
David Pulsipher, Sr Performance Auditor
Tim Salazar, Sr Performance Auditor

Other Interested Parties: Brad Johnson, Director, DEQ Response &
Remediation
Rick Sprott, Director, DEQ
William J. Sinclair, Deputy Director, DEQ
Dale Marx, Environmental Program Mgr
Kevin Carter, Director, SITLA
Michael Morris, Chair, SITLA
Brian Foisy, Asst Commissioner, Finance, Higher
Education
Mark H Spencer, Ph.D., Associate Commissioner,
Finance Higher Education
Paul T. Brinkman, Ph.D., Associate VP, Budget &

Planning,

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Healthier Machenzie-Campbell, Director Auditing, AOC
Brent Johnson, General Counsel, AOC
Jean Mills-Barber, Deputy Director, DHRM
Debbie Price, HR Policy Director, DHRM
Dave Lewis, DHRM
Thad LeVar, Commerce
Margaret Bird, USOE
Paula Plant, USOE
Tim Donaldson, USOE
Kevin Walthers, CEU
Wendy Leonard, *Deseret News*

1. Call to Order

President Valentine called the meeting to order at 9:00 a.m.

2a. A Performance Audit of Court Fines, Surcharges & Fees

(Report #2007-10)

Presented by Wayne Kidd, Audit Supervisor

Discussion following Presentation

Heather McKenzie-Campbell, Internal Audit Director, explained that Mr. Dan Becker, State Court Administrator had been called to another meeting and sent his regrets for being unable to attend.

Brent Johnson, General Counsel, Administrative Office of the Courts (AOC), expressed how pleased they were with the audit results and how impressed they were with the relationship they had with the auditors who worked on this audit. Mr. Johnson indicated that they have been concerned about some of the costs and fees that have been charged and the AOC is going to be addressing these issues.

Motion: Speaker Curtis made a motion that the **Performance Audit of Court Fines, Surcharges and Fees** (Report #2007-10) be accepted and referred to the Law Enforcement and Criminal Justice Interim Committee and the Executive Offices and Criminal Justice Appropriations Subcommittee. The motion passed unanimously.

2b. A Follow-up Audit of the School & Institutional Trust Land Administration (SITLA)

(Report #2007-08)

Presented by Maria Stahla, Audit Supervisor

Discussion following Presentation

Kevin Carter, Director, School and Institutional Trust Lands Administration (SITLA) addressed the non-compensation issues discussed in the audit. Mr. Carter said that in regard to their development program there is need for significant and efficient oversight and SITLA believes that they have addressed this issue.

Michael Moore, Chair, Board of Trustees, responded to concerns about executive compensation levels. Mr. Moore told the Audit Subcommittee that the Board recognizes that executive compensation is a difficult topic that is subject to reasonable differences in opinion. However, he believes that they have faithfully discharged their duties which the Legislature had delegated to them. Mr Moore concluded by saying that he believes the current compensation levels for SITLA management are reasonable based on their collective business judgement.

Motion: Senator Dmitrich made a motion that the **Follow-up Audit of the School & Institutional Trust Land Administration (SITLA)** (Report #2007-08) be accepted and referred to the Natural Resources, Agriculture and Environment Interim Committee and the Executive Appropriations Subcommittee. Also, that the Legislature should consider a policy statement as to compensation consistent with the dialogue exchanged between President John Valentine and Mr. Michael Moore, Chairman of the Board, SITLA. The motion passed unanimously.

3c. A Performance Audit of the Petroleum Storage Tank Trust Fund

(Report #2007-12)

Presented by Deanna Herring, Audit Supervisor

Discussion following Presentation

Mr. Rick Sprott, Executive Director, Department of Environmental Quality, thanked the Audit Subcommittee for asking DEQ to address the results of the audit of Petroleum Storage Tank Trust Fund. Mr. Sprott introduced Brad Johnson, Director, Division of Environmental Response and Remediation and asked him to respond to any questions or concerns the Audit Subcommittee might have.

Mr. Johnson thanked the auditors for their thorough job in reviewing the programs of the PST Fund and said that DEQ fully agrees with the findings and recommendations of the audit. DEQ believes the audit has provided some excellent insight into their program and has offered recommendations that will help the Division improve their ability to effectively manage the PST Program.

Motion: Senator Dmitrich made a motion that the **Performance Audit of the Petroleum Storage Tank Trust Fund** (Report #2007-12) be accepted and referred to the Natural Resources, Agriculture and Environment Interim Committee. The motion passed unanimously.

3d. A Performance Audit of Higher Education Personnel Budgeting Practices

(Report #2007-11)

Presented by Brian Dean, Audit Supervisor

Discussion following Presentation

Dr. Mark Spencer, Associate Commissioner for Finance, Utah System of Higher Education, said that Higher Education does not dispute the facts shown in the audit and they feel they can work with the recommendations but resist the tone that the audit implies.

Dr. Spencer referred to a response letter from President Stan Albrecht indicating that the incremental budgeting approach employed by higher education institutions is different than the expenditure-based building block approach used by regular state agencies.

Dr. Spencer concluded that the Utah System of Higher Education is willing to work with the recommendations made in the audit and will comply with these recommendations.

Motion: Senator Dmitrich made a motion that the **Performance Audit of Higher Education Personnel Budgeting Practices** (Report #2007-11) be accepted and referred to the Education Interim Committee and the Higher Education Appropriations Subcommittee. Also, that the Auditor General schedule a follow-up audit to be completed a year from now. The motion passed unanimously.

4. Prioritization of Future Audits

Speaker Curtis made the following motion prioritizing future audits.

Motion: Speaker Curtis made a motion that the following previous audit requests be approved and moved to "Future Audits", in the following order below the Jail Contracting audit request:

1. Delivery of Adult Education Services,
2. In-Depth Follow-up of Guardian ad Litem, and
3. Public Lands Coordinating Office. The motion passed

unanimously.

5. Adjournment

President Valentine adjourned the meeting at 11:00 a.m.